

ANZ-ROY MORGAN CONSUMER CONFIDENCE POSITIVE SENTIMENT, BUT ONLY JUST

MARCH 2011

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SUMMARY

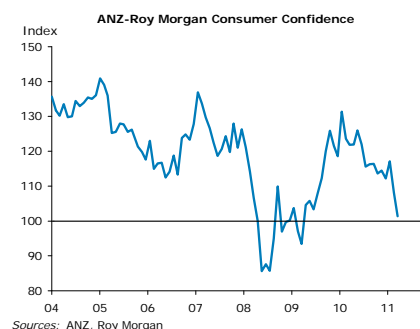
- Consumer confidence fell 7 points in March, with the future conditions component down 10 points and perception towards current conditions dropping 2 points.
- The attitude permeating from consumers remains one of caution.
- Confidence across the Canterbury region dropped the most, though all regions were down.
- While confidence dropped, we are somewhat encouraged that confidence did not fall by more following the Christchurch earthquake. However, we need to acknowledge that consumer confidence (and particularly current conditions) was already at low levels.

The ANZ Roy Morgan consumer confidence survey is the first **barometer of confidence** post February's seismic events. It is surveyed monthly and as such it is a timely barometer of shifts in sentiment.

The ANZ-Roy Morgan Consumer Confidence measure **dropped seven points to 101.4 in March**. Consumer confidence has fallen by 16 points since the start of the year and is now at the lowest reading since March 2009.

Looking at the components, **the Current Conditions index fell two points to 94.1** (previously 96.5). Perception towards households' current financial position actually improved from -20 to -16 but fewer households' now believe it is a good time to buy a major household item (dropping from +13 to +4).

The **Future Expectations component fell from 115.9 to 106.4**. All three subcomponents that measure future expectations (the one-year economic outlook, households' one-year financial outlook and the five-year economic outlook) eased. However, a more pronounced fall was seen in perception towards the economy as a whole over the coming 12 months. A net 28 percent of respondents expect worse times financially for the economy over the coming 12 months, down from a negative 5 percent in February.



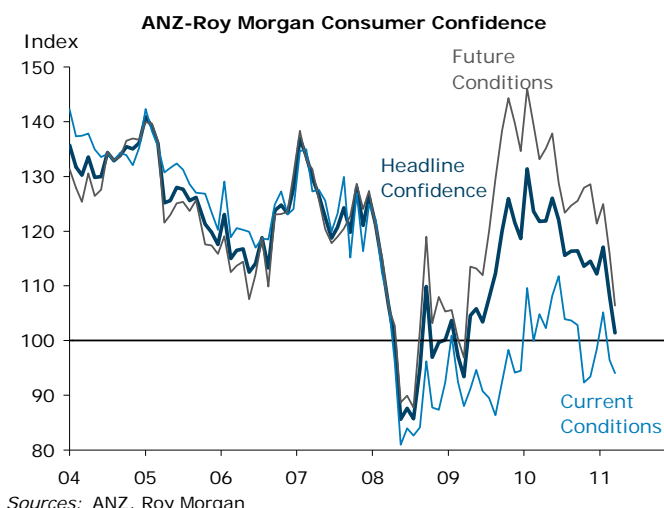
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Seasonal influences are typically mild between February and March, so we are confident the decline in confidence does not appear to be seasonal.

Confidence across the Canterbury region dropped the most, falling 16 points to 96.5 (the only region to record a figure below the 100 threshold). Confidence slipped 13 points in Wellington, to sit at 104.3. When dissected into the current and future measures, **Canterbury's drop in sentiment was dominated by a fall in perceived future conditions**, falling 37 points to 99.9. Current conditions in Canterbury, which were already at a low level, remained unchanged at 91.4 in March.

We are somewhat encouraged by how well consumer confidence has held in considering February's events. Yes, confidence declined notably and especially in Canterbury. Yet the scale of Christchurch developments could well have fostered a larger decline and one of the reasons the RBNZ cut interest rates in March was to counter a likely deterioration in confidence. However we recognise that the overall level of consumer confidence was already low – with current conditions below the neutral 100 level in February.

Households expect general inflation to average 4.0 percent per annum over the next two years (down marginally from 4.1 percent in February). **House prices are expected to rise 2.0 percent per year on average over the next 2 years**, up from 1.8 percent. Auckland and Christchurch show the most positive perception towards house price gains over the coming two years, possibly reflecting perceived housing shortages.



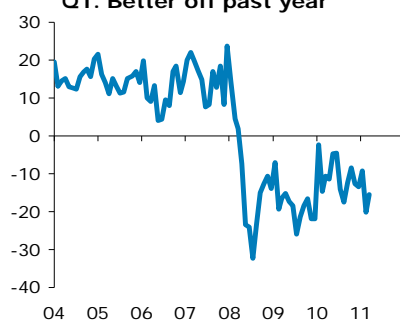
Looking at the detail, we note **that females were less confident than males**. Females recorded an 11 point drop in their index to 96.3, while confidence among males only dropped 3 points to 106.9.

Four of the five age cohorts recorded a weakening in confidence. **The 25-34 year age group had the largest fall in sentiment**, dropping 17 points to 100.9. Those aged 35-49 had the next largest decrease in confidence, slipping 9 point to 96.2. Confidence for 18-24 year olds improved 5 points to 122.1.

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Survey Summary	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
No. of Interviews	1,035	1,021	1,071	1,008	1,060	2,093	1,040	1,028
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	24	26	28	25	27	30	24	25
Worse Off	41	39	36	38	40	39	44	40
Net Balance	-18	-12	-9	-13	-14	-9	-20	-16
Q2. This time next year, do you and your family expect to be better-off financially or worse off than you are now?								
Better Off	49	48	48	47	46	50	47	45
Worse Off	20	19	18	17	18	18	22	24
Net Balance	29	28	31	31	28	32	26	21
Q3. Thinking of economic conditions in New Zealand as a whole. In the next 12 months, do you expect we'll have good times financially, bad times or some good and some bad?								
Good Times	37	36	37	41	35	39	31	22
Bad Times	30	31	27	27	34	31	36	49
Net Balance	7	5	10	14	1	8	-5	-28
Q4. Looking ahead, what would you say is more likely, that in New Zealand as a whole, we'll have continuous good times during the next five years or so, or we'll have bad times, or some good and some bad?								
Good Times	54	56	56	55	51	54	46	47
Bad Times	15	12	12	14	16	19	20	21
Net Balance	38	43	44	41	35	35	27	26
Q5. Generally, do you think now is a good time, or a bad time, for people to buy major household items?								
Good Time to Buy	53	51	35	40	47	52	48	43
Bad Time to Buy	28	33	42	41	37	32	35	40
Net Balance	25	18	-7	-1	10	20	13	4
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	116.3	116.4	113.6	114.5	112.2	117.1	108.1	101.4
Current Conditions	103.7	102.9	92.3	93.4	98.5	105.2	96.5	94.1
Future Conditions	124.7	125.5	127.9	128.6	121.4	125.0	115.9	106.4

Q1. Better off past year



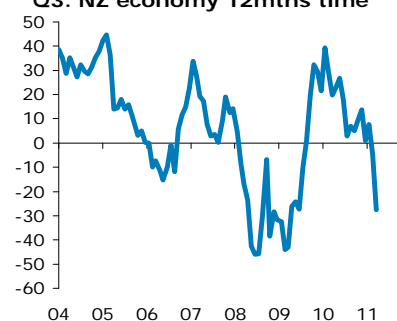
Sources: ANZ, Roy Morgan

Q2. Better off next year



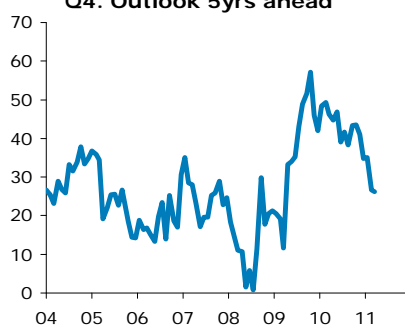
Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



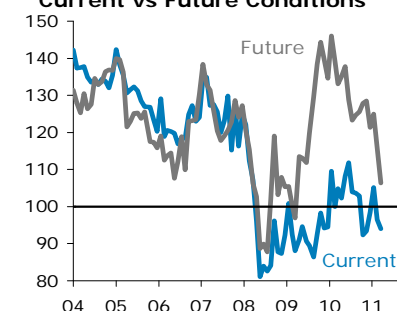
Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Current vs Future Conditions



Sources: ANZ, Roy Morgan

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- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

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- Convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- Adjudicated bankrupt;

- Prohibited by an Act or by a court from taking part in the management of a company or a business;
- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

Fees

At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

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- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

PROCEDURES FOR DEALING WITH INVESTMENT MONEY OR INVESTMENT PROPERTY

If you wish to pay investment money to the Bank you can do this in several ways such as by:

- Providing cash;



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- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

Investment property (other than money) may be delivered to the Bank by lodging the relevant property (for example, share certificates) with any branch of the Bank offering a safe custody service, or by posting (using registered post) the documents or other property to a branch of the Bank, identifying your name, account number and investment purpose.

Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

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The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

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The Bank's systems and operations are internally audited on a regular basis. The financial statements of the Bank and its subsidiaries are audited annually by KPMG. However, this does not involve an external audit of the receipt, holding and disbursement of the money and other property.

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